



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

August 5, 1988

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87504
(505) 827-5800

M E M O R A N D U M

TO: OIL PRODUCERS, PIPELINES, AND PIPELINE PURCHASERS

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: PROPOSED OIL ALLOWABLE RULE CHANGES

The Oil Conservation Division proposes the changes listed below in the oil proration schedule and, in order to do this, certain changes in Rule 503 and Rule 506 will be required. A revised Form C-115 to accommodate the deletion of the allowable column will be made.

- 1) The schedule will be put out twice a year, in January and July, instead of three times a year.
- 2) If the annual well test or completion test for a well is below the top oil allowable and casinghead gas allowable for the field, the allowable for the well will be M (for Marginal) in the schedule.
- 3) If the annual test or a completion test for a well is above the top oil allowable or casinghead gas allowable, this well will be designated Nonmarginal with an N or *N, respectively, and the allowables designated as they are presently done.
- 4) Allowables for waterflood or pressure maintenance projects will be the number of proration units in the unit area X the top oil allowable for the pool. In case of pressure maintenance projects where additional oil allowable is needed, this will be done with a monthly supplement based on injection credit figures.
- 5) Downhole commingled wells will be marked with the symbol "#" followed by "M" for Marginal with the maximum allowable accorded the zone based on the percentages set out in the downhole commingling order.
- 6) Wells with an acreage factor will have a designation indicating this and what the pool allowable is for that acreage factor. The M (Marginal) and N (Nonmarginal) designation will remain the same.
- 7) The Oil Conservation Division will compare oil and gas production from the Form C-115 to the pool allowable and pick out any well in which the oil production or gas production is in excess of the allowable for the pool and that well.

Page 2
Memorandum to Oil Producers, Pipelines,
and Pipeline Purchasers
August 5, 1988

A hearing to incorporate these proposed rule changes has been tentatively scheduled for September 15, 1988. Please send any comments you may have to both the Santa Fe office of the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico, 87504-2088, and the Hobbs district office, P. O. Box 1980, Hobbs, New Mexico, 88240. Comments will also be accepted at the hearing.

fd/

RULE 503. AUTHORIZATION FOR PRODUCTION OF OIL

(a) Except as provided below, the daily top unit allowable for any oil pool shall be 100 percent of the depth bracket allowable for the pool determined pursuant to the provisions of Rule 505.

(b) ~~Every other month~~ The Division shall have the option, within five days prior to the end of the month, to make a determination as to the likelihood of the total producing capacity of all oil wells in the state being in excess of anticipated reasonable market demand for crude petroleum oil from this state.

If the Division determines that such capacity may be in excess of the anticipated reasonable market demand, and that a market demand factor of less than 100 percent may be necessary to prevent waste, it shall immediately institute proper proceedings for a hearing to be held before the 20th day of the following month to determine actual reasonable market demand ~~for the next two succeeding months~~.

(c) At said hearing the Division shall consider all evidence of market demand for crude petroleum oil from this state, and if it is determined that the market demand percentage factor should be less than 100 percent, an order shall be issued establishing the market demand factor ~~for the ensuing two-month period~~ and setting a date for the next market demand hearing.

(d) The market demand factor thus established shall be multiplied by the applicable depth bracket allowable for each well and each pool to determine its unit allowable. Any fraction of a barrel shall be regarded as a full barrel in determining top unit allowable.

Upon initial establishment of a market demand factor, and from time to time thereafter, the Division shall issue a proration schedule authorizing the production of oil from the various proration units in the various pools in the state. Any well completed or recompleted after the issuance of said schedule and for which Form C-104 has been approved, shall, by supplement to the schedule, be authorized a daily allowable equal to ~~the ability of the well to produce up to and including~~ the top unit allowable in effect. The allowable for such well shall become effective at 7:00 a.m. on the date of the completion, provided

Form C-104 is submitted and approved within ten days following date of completion; otherwise the allowable shall be effective on the date the C-104 is approved.

(As provided in Rule 1104, "date of completion" is the date when new oil is delivered into the stock tanks.)

(e) A non-marginal unit is defined as being a proration unit which is capable of producing top unit allowable for the pool in which it is located and to which has been assigned a top unit allowable. Any such non-marginal unit shall be permitted to produce said top unit allowable without waste and subject to the provisions of Rules 301, 502, and 506, and all other applicable units rules. ~~Top-unit-allowable-will-be-assigned-only-to-those-units-which-by-tests have-demonstrated-their-ability-to-produce-top-unit-allowable.~~

A marginal unit is defined as being a proration unit which is incapable of producing top unit allowable for the pool in which it is located as evidenced by well test, production history, or other report or form filed by the operator with the Division. Any such marginal unit shall be permitted to produce any amount of oil which it is capable of producing without waste up to top unit allowable for the pool, subject to the provisions of Rules 301, 502, and 506, and all other applicable rules, provided that an allowable has been assigned to the unit to authorize such production.

A penalized non-marginal unit is defined as being a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which ~~is-less-than-top-unit-allowable-for-the-pool-and-also-less-than-the-ability-of-the-well(s)-on-the-unit-to-produce~~. Such ~~penalized-allowable~~ shall be determined in accordance with the procedure set forth in Rule 506. In calculating a penalized allowable, any fraction of a barrel shall be regarded as a full barrel.

(f) ~~Any change in the allowable assigned to any unit, non-marginal, marginal, or penalized, shall be accomplished through issuance of a new proration schedule or by supplement to a previously issued proration schedule.~~ A periodic tabulation of all supplements to the current proration schedule shall be made and distributed by the Division.

(g) The provisions of Rule 104(h) et seq. shall be adhered to in fixing top unit allowables.

(h) In the event it becomes necessary for any transporter of crude petroleum to resort to pipeline proration in New Mexico, such transporter shall, as soon as possible and not later than 24 hours after the effective date thereof, notify the Division of its decision to so prorate; upon receipt of such notice from such transporter, the Division may take such emergency action, as may be deemed proper, and/or upon its own motion, after notice, hold a hearing for the purpose of considering any action within its authority, to preserve and protect correlative rights.

In case of pipeline proration any operator affected thereby has the right to make application to the Division for authorization to have any shortage or underproduction resulting therefrom included in subsequent proration schedules. Such applications shall be made upon a form hereby authorized to be prescribed by the Division and filed therewith within thirty days after the close of the first proration period in which such pipeline proration shortage occurred, and such authorization shall be limited in any event to wells capable of producing the daily top unit allowable for such period.

In approving any such application the Division shall determine the period of time during which such shortage shall be made up without injury to the well or pool, and shall include the same in the regularly approved proration schedules following the conclusion of pipeline proration.

RULE 506. GAS-OIL RATIO LIMITATION

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the Division has not set a gas-oil ratio limit for a particular oil pool, the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule.

(b) Unless heretofore or hereafter specifically exempted by order of the Division issued after hearing, a gas-oil ratio limitation shall be placed on all allocated oil pools, and all proration units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following procedure:

(1) Any proration unit which, on the basis of the latest official gas-oil ratio test, has a gas-oil ratio in excess of the limiting gas-oil ratio and has the capacity to produce above the top casinghead gas volume calculated by Rule 506 (a) for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official gas-oil ratio test of the well and will be designated non-marginal.

(2) Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

(3) A marginal unit shall be permitted to produce the same volume of gas which it would be permitted to produce if it were a non-marginal well.

(c) All non-marginal proration units to which gas-oil ratio adjustments are applied shall be so indicated in the proration schedule with adjusted allowables stated.

(d) In cases of new pools, the limit shall be 2,000 cubic feet per barrel until such time as changed by order of the Division issued after a hearing. Upon petition and after notice and hearing according to law, the Division will determine or redetermine the specific gas-oil ratio limit which is applicable to a particular allocated oil pool.

OPERATOR'S MONTHLY REPORT
Form C-115 - Revised 1/1/89
See Distribution and Code
Information Bottom of Page

P. O. Box 2088
Santa Fe, New Mexico 87504-2088

I HERBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND
COMPLETE TO THE BEST OF MY KNOWLEDGE

TYPED NAME	PHONE NUMBER
POSITION	
SIGNATURE	DATE



GARREY CARRUTHERS
GOVERNOR

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

September 21, 1988

P.O. DRAWER DD
ARTESIA, NEW MEXICO 88210
(505) 748-1283

Oil Conservation Division
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87503

Re: Proposed Rule & Form Changes
Rule 301
Rule 1301

Dear Florene,

Regarding Rule 301, Gas-Oil Ratio and Production Tests, it seems that during past years, it has been the unwritten rule that when a well, lease, or group of leases enter a waterflood unit, they are automatically exempt from the Annual GOR Test.

The Division Director should have the proper authority to exempt all wells in a waterflood unit as he may deem proper from the Annual GOR Test.

I feel this would be a good time to make this a written rule.

Rule 1301, District Offices, lists the addresses of the districts. Do you think the telephone number of each district should also be listed?

Sincerely,

A handwritten signature in cursive script, appearing to read "Mike Williams".

Mike Williams
Superior District II

MW/mm

October 14, 1988

Dear Florene:

Attached are a few suggestions to be used in the rule changes hearing before the Commission on Thursday of next week. I have talked "loosely" with Vic and understand that he will not be at this hearing and he suggested that I send these to you for coordination. I may or may not be at the hearing.

I hope these help to maintain understanding and simplicity.

Babe

PROPOSED RULE CHANGES 10/13/88

FROM: H. L. KENDRICK (J.Q. Citizen as a friend of the commission/court)

RULE 506 GAS-OIL RATIO LIMITATION Page 1 (b) (1)

Any proration unit which, on the basis of the latest official gas-oil ratio test, has a gas-oil ratio in excess of the limiting gas-oil ratio and has the capacity to produce above the top casinghead gas volume calculated by Rule 506 (a) for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official gas-oil ratio test of the well and the proration unit will be designated non-marginal.

RULE 1100. GENERAL Page 1 D. Written Notices, Requests, Permits, and Reports

The forms listed below shall be used for the purpose shown in accordance with the instructions printed thereon and the rule covering the use of the form, or any special rule or order pertaining to its use.

RULE 1100. Page 2

Form C-122-a Gas Well Test Data Sheet-San Juan Basin (Initial Deliverability Test, blue paper; Annual Deliverability Test, white paper)

RULE 1103 AND RULE 1104

LOOK AT RULE 1103 PAGE 4 PARAGRAPH (7), LINE 8 AND IN THE CENTER OF THE LINE YOU SEE THE WORD "ACCORDANCE"

LOOK AT RULE 1104 PAGE 2 FIRST LINE ON THE TOP OF THE PAGE YOU SEE THE WORD "COMPLIANCE".....

I BELIEVE THE TWO WORDS SHOULD BE THE SAME WORD IN EACH OF THE TWO PLACES AND THE WORD "COMPLIANCE" MIGHT BE THE BETTER SELECTION TO USE IN BOTH PLACES.

RULE 1128. FORMS REQUIRED ON FEDERAL LAND

Federal forms shall be used in lieu of State forms when filing APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK and SUNDRY NOTICES AND REPORTS ON WELLS and WELL COMPLETION OR RECOMPLETION REPORT AND LOG for wells on Federal lands in New Mexico. However, it shall be the duty of the operator to submit two extra copies of each of such forms to the USGS BLM, which, upon approval, will transmit same to the Division. The following USGS BLM forms will be used in lieu of Division forms by operators of wells on Federal land:

The above listings are the only comments that I feel might be helpful in rewriting these rules.

Double Underscored words are my suggestion.